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7 April 1955

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CURRENT INTELLIGENCE WEEKLY SUMMARY



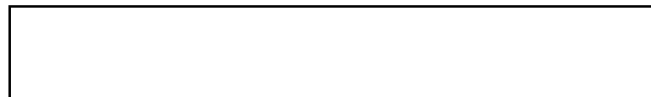
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State Department review completed



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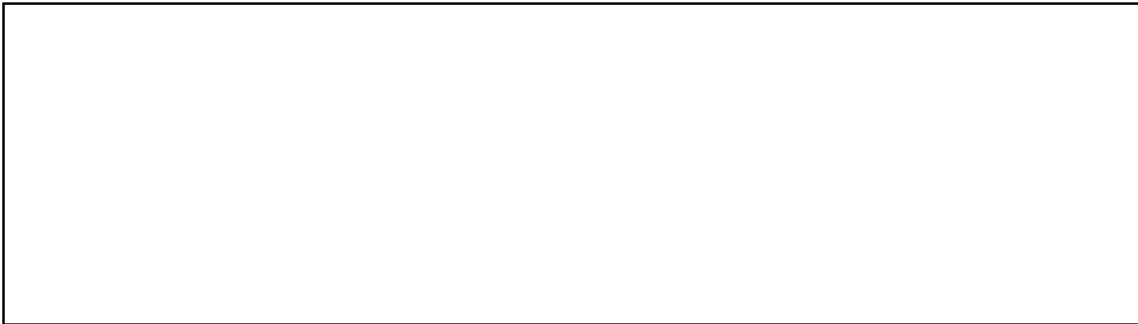
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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF



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PART II

NOTES AND COMMENTS

Soviet Attitude Toward Great-Power Talks: The Soviet position on the possibility of great-power talks has not moved beyond Bulganin's cautious statement of 26 March that the USSR takes "a positive view" of such talks. The Soviet leaders probably intend to avoid any further commitments until they have tested Western intentions in the forthcoming negotiations with Austrian leaders in Moscow. [redacted] Page 1

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Soviet-Austrian Talks: No further Soviet moves on Austria are likely before the Austrian delegation's arrival in Moscow on 11 April. Soviet officials in Austria seem to be sounding out Austrian reactions to the possibility of keeping Soviet troops at a few bases after a treaty is signed. [redacted] Page 1

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Japan-USSR Negotiations: The Soviet Union finally replied on 4 April to the Japanese note of 23 February by rejecting New York as the site of the proposed Japan-USSR negotiations and stating that it seemed "expedient" to choose either Moscow or Tokyo. This makes it apparent that the USSR plans to continue stalling on a settlement. The Kremlin probably hopes in this way eventually to resume relations with Tokyo at a minimum cost to the USSR. [redacted] Page 2

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East German Truck Tax Harasses West Berlin: The ex-orbitant tax imposed by the East German government on West German trucks traveling to and from Berlin is designed to point up the vulnerability of West Berlin and is part of an attempt to gain recognition of the East German government. A full-scale blockade of Berlin would be inconsistent with the USSR's claim that it seeks reduction of international tension, and in particular with the Soviet desire to improve relations with West Germany. [REDACTED] Page 3

Satellite Agricultural Outlook: The European Satellites are entering the spring planting season with a less than even chance to achieve acreage increases envisaged in their agricultural plans. Autumn plowing and seeding programs were not completed on schedule, and winter plowing was prevented by adverse weather conditions which lasted into the spring. [REDACTED] Page 5

Czech Fighter Defense Strengthened: Deployment of new fighter units near major industrial centers is increasing Czech capabilities for air defense. [REDACTED] Page 5

[REDACTED]

Chinese Communist Party Conference: The Chinese Communist Party conference of 21-31 March confirmed the fall of politburo member Kao Kang and organization chief Jao Shu-shih, both of whom had once been high in Mao Tse-tung's favor. Expulsion of the two men from the party was the first serious disciplinary action on this level made public since 1938. [REDACTED] Page 7

Laos: Premier Katay appears to be reluctantly abandoning his long-cherished dream of winning the loyalty of the Communist-backed Pathets to the Royal Government of Laos. [REDACTED] Page 8

Cambodia: The development of an American-trained Cambodian army is being held up by the sensitivity of the French toward what they see as their displacement in a sphere of their special interest, and by Cambodian reluctance to grant diplomatic immunities to American military training personnel. [REDACTED] Page 8

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The Afro-Asian Conference: The Communists will attempt at Bandung to identify their position with that of the neutralists. [] Page 9

Arab Middle East Defense Plans: Pakistan's announcement that it intends to adhere to the Turkish-Iraqi pact, following Britain's adherence on 5 April, keeps up the momentum of developments in the Middle East favoring the West. [] Page 10

Iraqis Again Raise Question of Union With Syria: Iraq's acting foreign minister Bashayan believes that developments in Syria may necessitate early reconsideration of the possibility of an Iraqi-Syrian union. [] Page 10

Icelandic Strike Continues: The Communist-led strike of more than 7,000 Icelandic workers in and around Reykjavik enters its fourth week on 7 April with no settlement in sight. [] Page 11

PART III

PATTERNS AND PERSPECTIVES

JAPAN'S TERRITORIAL CLAIMS AGAINST THE USSR Page 1

Japan will undoubtedly use both historical and geographical arguments in pressing the Soviet Union for the return of the Habomais, Shikotan, and the southern Kurils in the forthcoming negotiations. Russia's anticipated refusal to return these islands will be a serious and continuing irritant to Soviet-Japanese relations. []

THE PROBLEM OF SUDANESE INDEPENDENCE Page 2

The growing pro-Western independence movement in the Sudan is increasingly likely to clash with Egypt's efforts to achieve union of the two countries. Sudanese prime minister Azhari's pro-Egyptian government is meeting mounting opposition as a result of its unionist policy and may be forced to modify its position to remain in power. []

YUGOSLAV TRADE WITH THE SOVIET BLOC Page 5

Yugoslav-Soviet bloc trade is scheduled now at an annual level of \$45,000,000 each way. This figure is 15 percent of Yugoslavia's total foreign trade. During the next few years, the Yugoslavs may cut imports from the West of some commodities easily obtainable from the Orbit. []

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PART II

NOTES AND COMMENTS

Soviet Attitude Toward Great-Power Talks

The Soviet position on the possibility of great-power talks has not moved beyond Bulganin's cautious statement of 26 March that the USSR takes "a positive view" of such talks. The Soviet leaders probably intend to avoid any further commitments until they have tested Western intentions in the forthcoming negotiations with Austrian leaders in Moscow.

A Pravda editorial on 2 April asserted that the USSR is still advocating great-power talks which would ease international tension and cited in particular Moscow's proposal for a four-power conference on Austria. The editorial also suggested that it is still possible to "retard the course of events" and "bar the road to war" but added the warning that "the more time is allowed to elapse, the more difficult this will be."

Voroshilov warned on 3 April that the peoples of the Soviet Union and the "People's Democracies" would respond to the increased dangers of a new war brought about by ratification of the Paris agreements by mobilizing their forces "for increasing the economic

strength and defensive capacity of their countries."

Moscow continues to draw a distinction between a four-power conference on German reunification--which it would be willing to attend only if the Paris accords are renounced--and a conference of four or more powers on other questions such as Austria, reduction of tensions, European security, disarmament and Asian questions.

Some hint as to the possible agenda of a great-power conference which in the Soviet view "might contribute to lessening international tension" was contained in a recent New Times article. The article referred to the "many unsettled questions in international relations which urgently demand the attention of the great powers, beginning with the Austrian state treaty and ending with the problems of rearmament and an atomic and hydrogen weapons ban."

The official organ of the Soviet High Commission in East Germany also pointed out recently that "other tension-producing problems besides Germany exist," and mentioned atomic energy and Asia in particular.

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Soviet-Austrian Talks

No further Soviet moves on Austria are likely before the Austrian delegation's arrival in Moscow on 11 April, but there has been a new hint of Soviet terms for a state treaty. Soviet officials in

Vienna have been circulating rumors that after the conclusion of a treaty the USSR would be willing to reduce its troops to a small number to be stationed in one place.

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The USSR is probably sounding out Austrian reaction to a demand--foreshadowed in its latest note--to maintain troops in Austria for a long time after a treaty is signed. Last fall Austrian leaders rebuffed similar Soviet feelers on keeping troops at a few bases for a long period.

Moscow may also insist on the right to send troops back into Austria in case it sees a serious threat of an Anschluss.

Top-level Austrian officials assert that the Austrian delegation to Moscow will make no commitments and will merely attempt to explore the nature of neutralization and anti-Anschluss guarantees desired by the USSR. Most Austrian leaders appear willing to insert a neutrality declaration in the treaty, and they are

convinced that some form of four-power guarantee of Austrian neutrality will be necessary.

According to Ambassador Thompson in Vienna, Chancellor Raab believes that if he does not achieve a treaty "on this round," Austria will probably be partitioned. Raab is reported to have become more pessimistic concerning the success of the Moscow trip.

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Japan-USSR Negotiations

Moscow rejected on 4 April Tokyo's proposal of 23 February that delegations of the two countries meet in New York to discuss resumption of diplomatic relations. The USSR stated that "under present conditions, it seems expedient to choose either Tokyo or Moscow."

Soviet leaders apparently are stalling on the negotiations in an attempt to take advantage of Hatoyama's eagerness to resume relations. The Soviet government probably feels that the longer it waits, the less Tokyo will demand as preconditions.

Moscow's earlier implied willingness to accept New York as the site for negotiations was probably a temporary tactic designed to encourage Japanese political leaders to commit themselves during the Japanese

election campaign in favor of closer relations with the Sino-Soviet bloc, thus weakening Japan's bargaining position.

The Soviet Union's preference for negotiations in Tokyo, as an alternative to Moscow, probably reflects a hope of obtaining recognition for its unofficial mission in the Japanese capital. Moscow has utilized the mission chief, Domnitsky, and ignored the United Nations as a channel for its communications on the proposed negotiations.

This probably foreshadows a Soviet effort to raise the mission in Tokyo to diplomatic status. Moscow may feel that its stalling tactics will finally force Hatoyama to accept such a solution. Stalling would have the additional advantage of making a flat Soviet denial of

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Tokyo's territorial hopes unnecessary at this time, leaving the fulfillment of these hopes as a possible--though unlikely--prize for closer Japanese co-operation with the USSR in the future.

In by-passing the UN and presenting its note of 4 April through its unofficial mission in Japan, the USSR upset Japanese strategy.

This strategy apparently was to publicize New York as the site of the negotiations in an effort to conduct preliminary talks there between Japanese and Soviet representatives at the UN, and avoid further contacts with the Soviet representatives in Tokyo.

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East German Truck Tax Harasses West Berlin

The exorbitant tax imposed by the East German government on West German trucks traveling to and from Berlin is a deliberate harassment designed to point up the vulnerability of West Berlin.

Imposition of the tax follows earlier Soviet threats of retaliation in the event of West German ratification of the Paris agreements, and tests West German determination to proceed with rearmament. It is clearly an effort to assert East Germany's claim to sovereignty and develop a bargaining lever for obtaining all-German negotiations.

The tax may be followed by other measures of harassment,

but a full-scale blockade would be inconsistent with the USSR's claim that it seeks a reduction of international tension, and in particular with the Soviet desire to improve relations with West Germany.

In any case, use of military force to impose a blockade is unlikely, since the Western powers have made it clear that they are determined to hold Berlin.

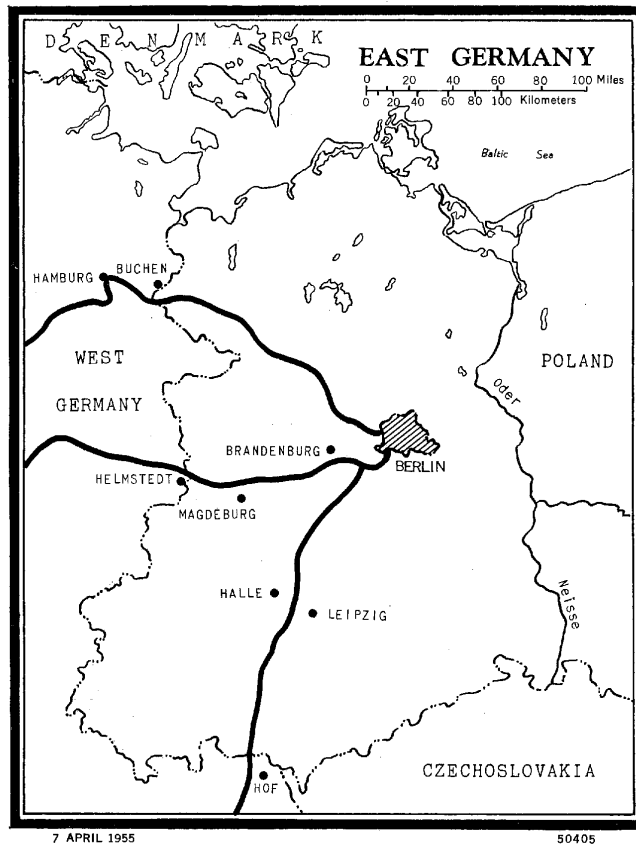
The extent of additional measures will probably depend upon Western reaction to the truck tax. Because of West German subsidies granted for the period through 21 April, the tax has not resulted in a cessation or diminution of the truck traffic.

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HIGHWAYS USED BY TRUCKS
BETWEEN WEST GERMANY AND BERLIN

While conflicting East German press statements have left doubt as to East Germany's willingness to negotiate the question of taxes on trucking between West Germany and Berlin, the East German government probably will eventually be prepared to lower the tax to a reasonable level in return for West German concessions.

By attributing the increase to strictly economic rather than political reasons, East Germany has left itself free to reduce the tolls in return for adequate economic concessions.

Official West German and West Berlin reaction has been

one of restraint and careful appraisal.

As a preliminary measure, the Bundestag passed a resolution which denounced the new road tax as a political move and called on the Bonn government to issue an official protest and take necessary countermeasures.

Bonn's most effective means of retaliation is in the field of interzonal trade, or which negotiations were in progress when the new trucking tax was announced. The West Germans temporarily withdrew from the negotiations, but officials have since resumed the trade talks, probably in the hope of resolving the trucking tax issue on that level.

Bonn officials want to threaten the termination of Western deliveries of key products such as Ruhr coke and steel to East Germany in order to force the Communists to relax the levies on trucking.

This threat, they say, should take the form of a Bundestag proposal for an exorbitant tax on exports to East Germany. The tax would be set so high that Western exporters could not pay unless the costs were absorbed by the East German government. The proceeds of the tax would then be placed in a special fund to pay the East German truck taxes.

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Satellite Agricultural Outlook

The European Satellites are entering the spring planting season with a less than even chance to achieve acreage increases envisaged in their agricultural plans.

Good agricultural yields are needed this year to prevent repetition of the difficulties of the last two years when generally poor harvests forced several Satellites to expend scarce foreign currencies to import large quantities of bread grains and other agricultural products.

Most Satellites needed a mild winter or an early spring to catch up on plowing and seeding programs left unfinished last fall because of late harvesting and peasant apathy. Late winter plowing was

prevented by frozen soil in East Germany, Poland, and Czechoslovakia, and by above-normal precipitation in the southern Satellites.

Intensive press and radio campaigns to recruit industrial workers for field labor are being waged in East Germany and Czechoslovakia, and propaganda programs designed to accelerate spring planting are under way throughout the whole of Eastern Europe.

Spring weather is already three to four weeks late, increasing the probability that plowing and planting schedules will not be met.

(Concurred in by ORR)

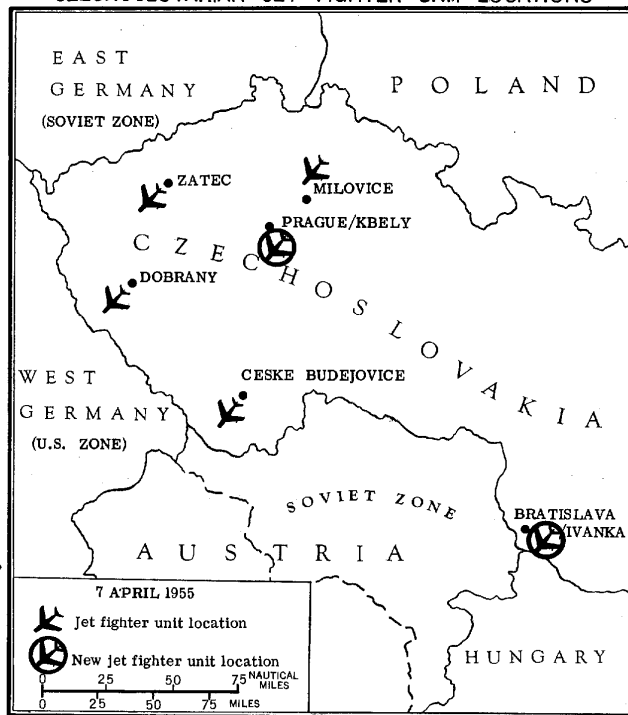
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Czech Fighter Defense Strengthened

An air defense pattern involving deployment of individual air units for the defense of specific major cities and their adjacent industrial installations is emerging in Czechoslovakia. In contrast to most of the other Satellites, no Soviet units are based in Czechoslovakia, so that air defense there depends on the Czech air force.

Recent observations at Bratislava/Ivanka airfield and the continued presence of a number of jet fighters at Prague/Kbely airfield indicate

CZECHOSLOVAKIAN JET FIGHTER UNIT LOCATIONS

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that operational jet fighter units have been activated near these major cities.

Deployment of fighter units to central and southern Czechoslovakia to supplement those already concentrated near the American zone of Germany strengthens Czech capabilities to prevent a Western air attack on strategic industrial targets.

Total estimated Czech fighter strength rose from 330 in October 1954 to almost 400 by April 1955, reflecting continued high Czech production of MIG's. Part of this increase appears in new units and part in existing fighter units which are now close to authorized strength.

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Chinese Communist Party Conference

The Chinese Communist Party conference of 21-31 March confirmed the fall of politburo member Kao Kang and organization chief Jao Shu-shih, both of whom had once been high in Mao Tse-tung's favor. This is the first known expulsion of a Chinese Communist party member at this level since 1938.

Both Kao and Jao were found guilty of resisting the authority of the rest of the party leadership under Mao Tse-tung. Their fall climaxes a drive for "unity" among the leadership which began in early 1954, when Kao and Jao dropped out of the news.

The charge against both men may well be true, as both had excellent opportunities for building "independent kingdoms," the explicit target of the "unity" drive.

Kao and Jao were the party bosses of Manchuria and East China, respectively, until 1953. Kao then became chairman of the state planning commission and Jao became the party's personnel director for all of China.

There is speculation that the fall of both men resulted in part from their relationships with Soviet leaders. For example, either could have appealed for Soviet backing against Peiping at the regional or national level. On the other hand, either could have resisted Soviet influence with the regime. Conceivably,

they were proteges of deposed Soviet leaders.

There is no evidence to indicate which, if any, of the possibilities involving the Soviet Union is true. Forthcoming party pronouncements may illuminate this question.

Neither Kao nor Jao repented, according to Peiping. Kao is said to have committed suicide as an "expression of his ultimate betrayal of the party," while Jao "persists in an attitude of attacking the party."

The party took unspecified disciplinary action against seven lesser officials, six of whom were Kao's lieutenants in Manchuria. Action may be taken against onetime subordinates of Jao in East China, or against associates of both in Peiping.

The central committee has elected Teng Hsiao-ping and Lin Piao, both vice premiers under Chou En-lai, to the party's politburo. Teng has risen rapidly in the party, and was considered a logical choice.

The appointment of Lin, who commanded the Chinese Communist forces in Korea until early 1951 and has since been reported "sick," brings a third top military leader to the policy-making politburo.

Finally, the conference passed a resolution on the draft of the first five-year

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plan for development of the national economy, and a resolution on the establishment of central and local control committees.

These committees, under the leadership of politburo

member Tung Pi-wu, will be concerned with strengthening party discipline and with guarding against future breaches of party unity. [REDACTED]

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Laos

The Laotian cabinet agreed on 1 April to address a final invitation to the Pathets to send representatives to Vientiane to discuss the restoration of royal authority in the two disputed northern provinces, now partly occupied by the Pathets. If an agreement is not arrived at within "ten days or so," the government plans to address a formal appeal to the International Control Commission.

The next step would presumably be an appeal to the

Geneva powers but a considerable length of time would necessarily elapse before this would be done.

There is probably some lingering hope on the government side that a negotiated settlement can be reached, but this appears unlikely. A royal official, recently in contact with the Pathets, has stated that they might still be Laotians at heart but that they made no secret of their Stalinist orientation. [REDACTED]

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Cambodia

The development of an American-trained Cambodian army is being held up by the sensitivity of the French toward what they see as their displacement in a sphere of their special interest, and by Cambodian reluctance to grant diplomatic immunities to American military training personnel.

The Cambodians fear that such immunities would constitute extraterritoriality. The fact that these immunities are enjoyed by American personnel in certain European countries has not impressed them. They feel that Cambodia is under a much stronger obligation to demonstrate its independence than European countries are.

The Cambodians are not averse to an informal Cambodian-American arrangement which would, in effect, make Americans liable to punishment for only the most heinous crimes. Their main concern is to avoid putting anything in writing which could be used as political ammunition against the government.

A more serious potential deterrent to the effective application of American training is the French proposal that any American mission coordinate its proposals with the French training mission before submitting them to the Cambodians. This would give the French a virtual veto over American policies in this field.

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The French have further advanced the proposition that the displacement of French influence in the military field by that of the United States would be "contrary to the spirit of the Geneva agreements."

The chief opposition element, the Democratic Party, has sought to embarrass the government by pointing out that the

current cabinet was set up solely for the purpose of organizing elections. The Democrats are reluctant, however, to challenge the authority of the crown. Although the left wing of the Democratic Party includes anti-monarchists and perhaps Communists, some of its most influential members remain strongly pro-Western. [REDACTED]

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The Afro-Asian Conference

It is becoming increasingly apparent that little attempt will be made to avoid controversial political topics at Bandung despite neutralist protestations that everything would be done to steer clear of unpleasantness.

There is substantial evidence pointing to a neutralist effort--supported by the Communists--to win wider adherence to the "five principles" of co-existence. Moreover, there have been reports that the neutralists plan to bring up such matters as banning nuclear weapons tests, the merits of the Geneva agreement, the objections to regional defense alliances--particularly the Manila pact and the Formosa problem.

U Nu has been quoted as saying that the conference would not be "anti-Western, but that if we discuss colonialism we may have some disparaging remarks about colonial powers and those are mostly Western powers."

Nehru's criticism of the West in the Indian parliament on 31 March is indicative of the feelings among Asian nationalist leaders which might erupt at Bandung, although Nehru himself may be more circumspect in "mixed company."

Meanwhile, Peiping has launched a large-scale propaganda campaign on the conference. The main themes of the campaign are Asian-African solidarity, coexistence, and American malevolence. Peiping's propaganda has also attempted to link the "five principles" to the Formosan issue by asserting that they imply the right to resist "aggressive acts" by others--meaning by the United States.

It is obvious from this that the Communists are adopting a position parallel to that of the neutralists as a means of expressing their views while avoiding the appearance of being unduly aggressive. [REDACTED]

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Arab Middle East Defense Plans

The announcement on 4 April that Pakistan intends to join the Turkish-Iraqi pact is unlikely to have any immediate effect on the attitudes of the Arab states which oppose the "northern tier" defense concept.

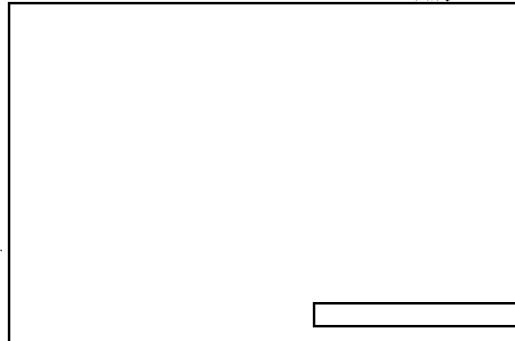
Pakistan's action, following Britain's adherence on 5 April, will, however, keep up the momentum of developments in the Middle East favoring the West. Egypt's attempts to form a new Arab bloc are becoming more and more obviously futile.

Representatives of Egypt, Syria, and Saudi Arabia convened in Cairo on 31 March, supposedly to work out the details of Egypt's plan, but they appear to be accomplishing very little.



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Syrian prime minister Azm, one of the pact's original backers, also appears to have cooled off. He left Cairo on 4 April for "consultations" in Damascus, and there is some doubt whether he will return.



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Iraqis Again Raise Question Of Union with Syria

Iraq's acting foreign minister Bashayan believes that developments in Syria may necessitate early reconsideration of the possibility of an Iraqi-Syrian union, even though the idea must be "shelved for the time being."

Iraq is unlikely to take definite steps toward union unless it has assurances of foreign acquiescence, and it is unlikely to secure such assurances at the present time. If, however, the Syrian situation deteriorates further and the Iraqis develop firm plans, Turkey and Britain probably could be expected to give

passive approval to such an Iraqi move.

Bashayan has declared that the present Syrian government will not last long, and expressed fear on 2 April that a new government will be more leftist than Asali's cabinet. He believes that rightist forces in Syria are too fragmented to prevent a leftist takeover.



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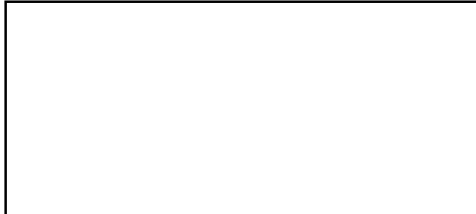
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[redacted] Iraq has many contacts of long standing in Syria and has frequently given them much aid, particularly financial assistance. Such activity will increase as long as Syrian instability persists.
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Icelandic Strike Continues

The Communist-led strike of more than 7,000 Icelandic workers in and around Reykjavik and Hafnarfjordur enters its fourth week on 7 April with no settlement yet in sight.

There are increasing indications that the strike may last until May, since the employers are prepared for a showdown struggle.

The strike has failed to attract popular support up to now, but the employers by their reluctance to negotiate may

create public sympathy for the strikers.

A sympathy strike of approximately 500 workers at the American-manned air base at Keflavik scheduled for 29 March has been put off indefinitely. The proposed sympathy strike was originally called in response to pressure from the Icelandic Federation of Labor. Local union leaders postponed it because of lack of support among the workers at the base.
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PART III

PATTERNS AND PERSPECTIVES

JAPAN'S TERRITORIAL CLAIMS AGAINST THE USSR

Japan will undoubtedly use historical and geographical arguments in pressing the Soviet Union for the return of the Habomais, Shikotan, and the southern Kurils in the forthcoming negotiations. Russia's anticipated refusal to return these islands will be a serious and continuing irritant to Soviet-Japanese relations.

The islands total some 4,000 square miles in area and had a prewar Japanese population of about 15,000, all but 200 of whom inhabited the portions claimed by Japan.

The chief economic asset of the area is its fishing grounds, which provided 40 percent of Hokkaido's fish catch, worth about \$9,000,000 annually, before the war. Russian occupation has seriously harassed Japanese fishing operations in these waters and caused severe local unemployment.

Soviet enforcement of the 12-mile limit around the islands also creates navigation difficulties for shipping between the Sea of Okhotsk and the Pacific Ocean. Kunashiri and the southernmost Habomai island of Suisho are only 12 miles and 4.5 miles respectively from the Japanese mainland.

Russian proximity to Hokkaido has aggravated Japan's security problems by facilitating Communist espionage and subversion on Hokkaido.

Finally, the dense fogs in the Kuril region have caused Japanese vessels to stray into Soviet territory and have resulted in frequent seizures of Japanese vessels.

Tokyo will probably argue that the Habomais and Shikotan

are not part of the Kurils but are merely an extension of the Hanasaki Peninsula on Hokkaido. They are south of the main Kuril chain and were originally administered separately. The United States has publicly supported Japan's claims to the Habomais.

There is a historical basis for the Japanese desire for separate consideration of at least the two southern Kuril islands of Kunashiri and Etorofu. These islands were never under Russian jurisdiction, and Russia explicitly recognized Japan's claim to them in 1855, when the two countries agreed to draw their boundary between Etorofu and Uruppu.

The Russo-Japanese treaty of St. Petersburg in 1875 gave Japan the northern Kurils as well, in exchange for southern Sakhalin. Consequently, Japan maintains that the Kurils were not territories acquired in "violence and greed," which the Cairo Declaration said would be taken from Japan. Tokyo further emphasizes that it has never recognized the Yalta decision handing over the Kurils to the Soviet Union.

Japanese officials bolster their position with the assertion that although Japan renounced its rights and claims to the Kurils at San Francisco, the treaty does not specify the beneficiary. Moreover, Moscow cannot claim the benefits of the treaty unless the USSR signs it. The treaty is open to signature only until 27 April.

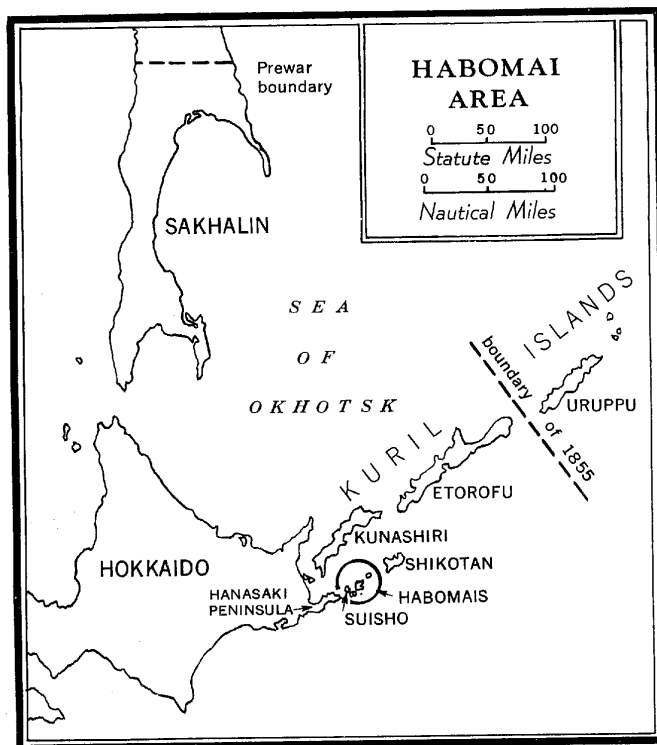
The Japanese Foreign Ministry is privately pessimistic over Japan's chances of regaining its lost territories. Soviet propaganda has dwelt on

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Communist colonization and development of the islands and the USSR reaffirmed its claims to the Habomais and Shikotan as recently as 30 December 1954.

Japan's failure to achieve its goals in the negotiations presumably could cool popular ardor for close ties with the Sino-Soviet bloc and revive suspicions concerning Russia's good faith. Friction over fishing rights in the Kuril area and continuing seizures of Japanese fishing vessels would keep irredentist feelings alive.

The Hatoyama government would be vulnerable to charges it had failed to protect the national interest.

Hatoyama has already implied that the government would not try very hard for the return of southern Sakhalin and the Kurils "because of the San Francisco treaty."

He seems to be preparing to equate the Ryukyus and Bonins with the Habomais and Shikotan as the only

territories Japan can justifiably seek from the United States and the USSR.

Nevertheless, the emotional reactions stirred up by questions of territorial sovereignty--for example, the controversy with South Korea over the barren Liancourt Rocks--serves as a reminder that in the coming negotiations the question of the Kurils could be Prime Minister Hatoyama's Achilles' heel and a strong arguing point for his opposition.

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THE PROBLEM OF SUDANESE INDEPENDENCE

The growing pro-Western independence movement in the Sudan is increasingly likely to clash with Egypt's efforts to

achieve union of the two countries.

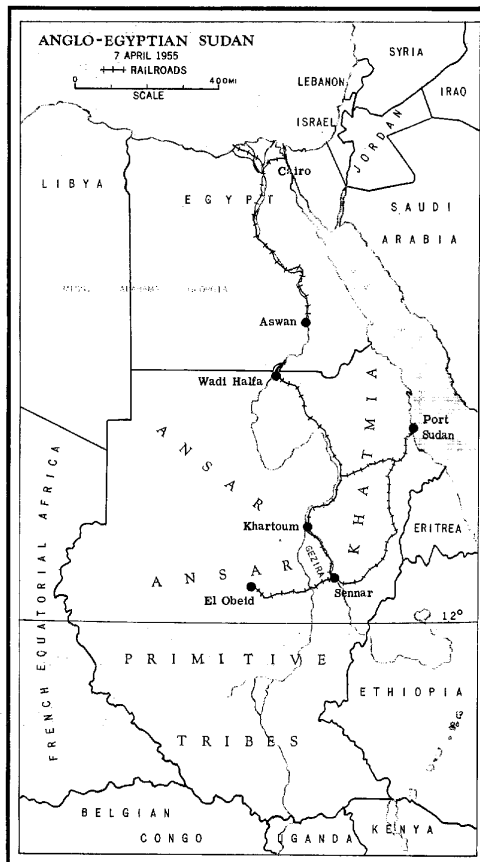
Sudanese prime minister Azhari's pro-Egyptian government

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be completely independent, or whether there will be some form of union with Egypt.

The Sudanese government reportedly intends to call an extraordinary session of parliament in August as the first step toward setting up a constituent assembly.

Geography and Economy

Administered by the British as an Anglo-Egyptian condominium from 1899 until the inauguration of self-government in January 1954, the Sudan--with an estimated population of more than 8,000,000--is sharply divided culturally, ethnically and geographically along approximately the twelfth parallel.

Some 5,000,000 Arabic-speaking Moslems live in the northern portion. The tropical southern region, where over 32 different languages are spoken, is inhabited by primitive tribes. As a result of Moslem exploitation, these largely pagan people are deeply antagonistic toward the Moslem north, and toward Egypt.

is meeting mounting opposition as a result of its unionist policy and may be forced to modify its position to remain in power.

Cairo, however, has indicated that it intends to obtain union with the Sudan at all costs and probably will step up its covert activities and manipulations.

The Sudan is expected to decide on its future status either late this year or early in 1956. Under the terms of the 1953 Anglo-Egyptian agreement on Sudanese self-government and self-determination, the Sudanese parliament is to pass a resolution calling for the election of a constituent assembly. This assembly will decide whether the Sudan is to

The Sudan has a total crop area of roughly 2,500,000 acres, most of which is in cotton.

Cotton accounts for 70 to 80 percent of the Sudan's total exports and for approximately 60 percent of the government's revenue. No development survey has ever been conducted in the area.

Internal Politics

Organized political activity in the Sudan is based on two Islamic religious sects, the Ansar and the Khatmia.

Sayyid Abdul Rahman al-Mahdi, as leader of the anti-Egyptian Ansar, commands the absolute obedience of some 1,400,000 followers, largely among the tribesmen of the

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central and northwestern Sudan. He also controls the pro-independence Umma Party, which is, in effect, the political counterpart of the sect. The Mahdi has in the past been closely identified with British interests in the Sudan.

Sayyid Ali Mirghani, who heads the Khatmia, is believed to hold the key to the Sudan's future. Salah Salim, Egyptian minister of state for Sudanese affairs, boasts that Egypt "owns" Mirghani, but Mirghani is believed to be sufficiently agile to straddle the issue of independence vs. union until the outcome is clear and then take the winning side.

The Khatmia's strength is concentrated in the north and northeast. A large proportion of its 1,500,000 members are urban merchants and traders and the sect is considered no match for the warrior tribesmen of the Mahdi in the event of an outbreak of civil disorders.

Mirghani does not have the personal authority over his followers which the Mahdi maintains. A life-long opponent of the Mahdi, Mirghani has in the past tended to align himself with Egypt in an effort to counter British support for his rival. It was Khatmia support for the Egyptian-sponsored National Unionist Party that was responsible for its victory in the November 1953 elections of the first Sudanese self-governing parliament.

The Khatmia is now seriously split, however, with an important element favoring independence rather than any form of union. In what direction Mirghani will ultimately throw his influence is unknown. Salah Salim, who directs Cairo's activities in the Sudan, has expressed his disgust for Mirghani's "indecisiveness" and "failure to take leadership."

Egyptian Policies

Egypt has pursued a policy of "buy and rule" in the Sudan in an effort to assure union of the two countries. Salah Salim has bluntly stated that he can buy any Sudanese politician and has declared with probable exaggeration that Egypt is spending "millions of pounds" to achieve its objectives in the Sudan.

During the past six months, however, there has been a considerable increase in the number of Sudanese favoring complete independence. Many Sudanese who originally supported Egypt largely as a means of ridding the country of Britain's rule are not anxious to substitute that of Egypt.

The virtual liquidation of the British administration during the past year and the accompanying "Sudanization" of the government services has had a marked effect on the independence movement.

The cabinet crisis of December 1954, which resulted in the resignation of three prominent Khatmia ministers, brought the conflict between the pro-independence elements in the Khatmia and the Egyptian-subsidized politicians to the fore.

The Independence Movement

The Khatmia ministers subsequently started a new party--the Independence Republican Party--and appealed for the support of all groups favoring Sudanese independence. While Mirghani is reported to have granted the party his "patronage," he has continued to lend support to the National Unionist Party.

The Independence Republican Party has refused to co-operate with the new independence

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front in parliament, apparently because it does not want to bring about the fall of the Azhari government at this time. The front, which emerged during the current session, is made up of the Umma Party and other pro-independence groups, including the one Communist deputy. It has attacked the Azhari government in the last month for its pro-Egyptian policy, but lacks by a small margin the votes necessary to pass its resolutions.

In the face of growing popular sentiment for independence, Prime Minister Azhari has tended to modify his position on union with Egypt. In a conversation with the American liaison officer in Khartoum on 5 March, Azhari stated that in view of the overwhelming sentiment for independence, his government has given up any idea of a formal union with Egypt. He indicated, however, that an advisory council to discuss matters of mutual concern, such as the Nile waters and foreign affairs, was desirable.

The Khartoum radio announced on 31 March that the parliamentary group of the National Unionist Party had decided that the future link with Egypt should not affect Sudanese "independence and full sovereignty."

Such a limited form of "union" is unlikely to satisfy Cairo's ambitions, and if Azhari continues his apparent drift in favor of Sudanese independence, Cairo may attempt to bring about the fall of his government.

In that case, the pro-independence Umma Party and the Ansar sect, unalterably opposed to Egyptian domination, may resort to civil disorders to prevent union. The withdrawal of British and Egyptian military forces from the Sudan, to be accomplished three months after adoption of a resolution providing for self-determination, could be the signal for an outbreak of civil strife.

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YUGOSLAV TRADE WITH THE SOVIET BLOC

An agreement signed by Yugoslavia and Rumania on 24 March brings Yugoslav trade with the Soviet bloc to a scheduled annual total of \$45,500,000 each way. This is approximately 15 percent of Yugoslavia's total foreign trade.

The agreement is the sixth on the government level which Yugoslavia has signed with a member of the Soviet bloc since 5 January, when the preliminary "unofficial" Yugoslav-Soviet trade agreement was succeeded by a formal one.

With East Germany, Yugoslavia has only an "unofficial" agreement calling for the small-scale trade of \$2,000,000 each way. The agreement was signed in August 1954 to be valid until 30 June 1955. Belgrade has no trade agreement with Albania, and no trade has yet been reported between Yugoslavia and Communist China.

In general, in its trade with the Soviet bloc, Yugoslavia will export agricultural products and ores in return for oil from the USSR and Rumania, coal

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from Poland, steel products from Hungary, and machinery and steel products from Czechoslovakia.

FORMAL TRADE AGREEMENTS BETWEEN YUGOSLAVIA AND BLOC COUNTRIES

Country	Amount each way
Czechoslovakia	\$13,500,000
USSR	10,000,000
Poland	7,500,000
Hungary	7,000,000
Rumania	3,000,000
Bulgaria	2,500,000

Despite Belgrade's contention that trade with the Orbit will not lower the level of its trade with the West, its tight foreign exchange position is likely to encourage the government to save Western currency by cutting imports from the West of commodities readily available from the Soviet bloc.

The American embassy in Belgrade has stated that the Czech-Yugoslav agreement, if fulfilled, would put Czechoslovakia in competition with West Germany and Italy as a supplier of machinery and steel.

Ease of payments, coupled with geographic proximity, could foster a gradual expansion of trade with the Soviet bloc to one quarter of Yugoslavia's total foreign trade, the level of Yugoslav prewar trade with that region. This percentage would, however, still be well

below the volume of 1945-1948, when Yugoslav-Soviet bloc trade reached a peak of more than 50 percent.

The level which this trade eventually reaches will depend in large part on the ability and willingness of bloc countries to implement the existing agreements. Evidence available on the "unofficial" agreements of 1954 shows that the Satellites did not consistently fulfill their export commitments to Yugoslavia.

The current agreements do not suggest that Belgrade is becoming largely dependent on the bloc for vital commodities, except possibly petroleum products. Approximately 40 percent of Yugoslavia's annual POL requirements--nearly 200,000 tons of oil and gasoline--is to be imported from the USSR and Rumania.

While there is no evidence of outright breaches of Western strategic trade controls, by which Yugoslavia abides in general, the Yugoslav export lists do contain some questionable items. Supplies scheduled for Rumania, for example, include rolled wire of unspecified material, and American officials have brought to Belgrade's attention the fact that its agreement to refine Bulgarian blister copper may constitute a violation of the Battle Act.

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